

**REPORT**  
**NINE MILE POINT VOLUNTEER FIRE**  
**COMPANY NO 1**  
**DECEMBER 31, 2011 AND 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 20 2012**

NINE MILE POINT VOLUNTEER FIRE  
COMPANY NO 1

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WILLIAM G. STAMM, C.P.A.  
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LINDSAY J. CALUB, C.P.A., L.L.C.  
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HOGAN & MAHER, L.L.P.

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DAVID A. BURGARD, C.P.A.

A.J. DUPLANTIER JR., C.P.A.  
(1919-1985)  
FELIX J. HRAPMANN, JR., C.P.A.  
(1919-1990)  
WILLIAM R. HOGAN, JR., CPA  
(1920-1996)  
JAMES MAHER, JR., C.P.A.  
(1921-1999)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2012

Board of Directors  
Nine Mile Point Volunteer Fire  
Company No. 1  
Nine Mile Point, Louisiana

We have audited the accompanying statements of financial position of Nine Mile Point Volunteer Fire Company No. 1 (a Louisiana nonprofit corporation) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the fire company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nine Mile Point Volunteer Fire Company No. 1 as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 (504) 586-8866 Fax (504) 525-5888  
1670 Old Spanish Trail Shidell, LA 70458 (985) 649-9996 Fax (985) 649-9940  
247 Corporate Drive Houma, LA 70360 (985) 868-2630 Fax (985) 872-3833  
[www.dhnmcpa.com](http://www.dhnmcpa.com)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2012 on our consideration of Nine Mile Point Volunteer Fire Company No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

NINE MILE POINT VOLUNTEER FIRE COMPANY NO. 1  
 STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010

<u>ASSETS</u>		
	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 1 and 2)	\$ 240,373	\$ 25,564
Accounts receivable	<u>-</u>	<u>1,200</u>
Total current assets	<u>240,373</u>	<u>26,764</u>
<b>PROPERTY AND EQUIPMENT - (Notes 1 and 3)</b>		
Net of accumulated depreciation	<u>141,503</u>	<u>138,438</u>
<b>TOTAL ASSETS</b>	<u>\$ 381,876</u>	<u>\$ 165,202</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,936	\$ 5,265
Accrued payroll and payroll tax liabilities	46,748	40,626
Compensated absences payable (Note 1)	<u>39,625</u>	<u>47,505</u>
Total current liabilities	<u>88,309</u>	<u>93,396</u>
Total liabilities	<u>88,309</u>	<u>93,396</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>293,567</u>	<u>71,806</u>
Total net assets	<u>293,567</u>	<u>71,806</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 381,876</u>	<u>\$ 165,202</u>

See accompanying notes.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS.		
SUPPORT		
Firefighting contract (Note 6)	\$ 780,000	\$ 503,973
Insurance rebate (Note 6)	14,303	15,154
Firetruck rental fund (Note 6)	18,938	50,000
Insurance reimbursements	14,407	4,612
FEMA reimbursement	-	5,689
Interest income	8	-
Other income	2,387	2,141
Donation income	15,068	-
Total support	<u>845,111</u>	<u>581,569</u>
EXPENSES (Page 5 and 6)		
Program services - firefighting	568,603	569,057
Supporting services - management and general	54,747	52,919
Total expenses	<u>623,350</u>	<u>621,976</u>
Increase (decrease) in unrestricted net assets	221,761	(40,407)
Unrestricted net assets - beginning of year	<u>71,806</u>	<u>112,213</u>
NET ASSETS - END OF YEAR	<u>\$ 293,567</u>	<u>\$ 71,806</u>

See accompanying notes

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
 STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES			
Accounting and legal	\$ -	\$ 7,489	\$ 7,489
Bank and credit card charges	-	25	25
Charitable contributions	-	100	100
Depreciation	11,151	803	11,954
Dues and subscriptions	-	1,841	1,841
Equipment repair	12,805	922	13,727
Firefighting supplies	11,458	-	11,458
Fuel	10,497	-	10,497
Insurance	100,183	7,215	107,398
Licenses	342	-	342
Loss on disposal of assets	-	-	-
Maintenance	14,314	1,031	15,345
Meals and consumables	1,268	-	1,268
Medical expenses	232	-	232
Miscellaneous	-	1,261	1,261
Morale	523	-	523
Office expense	-	5,075	5,075
Payroll taxes	32,649	2,351	35,000
Retirement expense	10,981	791	11,772
Salaries and wages	340,292	24,507	364,799
Training and education	3,359	-	3,359
Utilities	18,549	1,336	19,885
<b>TOTAL</b>	<b>\$ <u>568,603</u></b>	<b>\$ <u>54,747</u></b>	<b>\$ <u>623,350</u></b>

See accompanying notes.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES			
Accounting and legal	\$ -	\$ 7,027	\$ 7,027
Bank charges	-	6	6
Charitable contributions	-	-	-
Depreciation	11,641	825	12,466
Dues and subscriptions	-	1,803	1,803
Equipment repair	14,355	1,017	15,372
Firefighting supplies	3,845	-	3,845
Fuel	7,012	-	7,012
Insurance	117,433	8,319	125,752
Licenses	4,990	-	4,990
Loss on disposal of assets	13,213	936	14,149
Maintenance	4,467	316	4,783
Meals and consumables	98	-	98
Medical expenses	560	-	560
Miscellaneous	-	1,276	1,276
Morale	712	-	712
Office expense	-	3,752	3,752
Payroll taxes	32,328	2,290	34,618
Retirement expense	10,694	758	11,452
Salaries and wages	325,676	23,070	348,746
Training and education	520	-	520
Utilities	21,513	1,524	23,037
	<u>21,513</u>	<u>1,524</u>	<u>23,037</u>
TOTAL	\$ <u>569,057</u>	\$ <u>52,919</u>	\$ <u>621,976</u>

See accompanying notes



NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
 STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 221,761	\$ (40,407)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,954	12,466
Loss on disposal of assets	-	14,149
(Increase) decrease in operating assets:		
Accounts receivable	1,200	(1,200)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,329)	(3,653)
Accrued payroll and payroll tax liabilities	6,122	14,250
Compensated absences payable	(7,880)	2,235
Net cash provided (used) by operating activities	<u>229,828</u>	<u>(2,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(15,019)</u>	<u>(6,506)</u>
Net cash used by investing activities	<u>(15,019)</u>	<u>(6,506)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	214,809	(8,666)
Cash and cash equivalents at beginning of year	<u>25,564</u>	<u>34,230</u>
<b>CASH AND CASH EQUIVALENTS - AT END OF YEAR</b>	<u>\$ 240,373</u>	<u>\$ 25,564</u>

See accompanying notes

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

ORGANIZATION

Nine Mile Point Volunteer Fire Company No 1 (the fire company) was established to provide firefighting and rescue service to a designated area of the Seventh Fire District (a separate entity) of Jefferson Parish, Louisiana. In addition, the fire company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The fire company maintains two fire stations and has approximately ten full-time employees, six part-time employees and eleven volunteers. The fire company's main source of revenue is a fire protection contract with Jefferson Parish effective for the period December 1, 2003 through November 30, 2013. The contract was adopted by the Jefferson Parish Council with Resolution Number 99718 on November 19, 2003. The fire company's membership adopted and signed the contract on January 6, 2004.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The fire company follows FASB ASC 958-205, *Financial Statements of Nonprofit Organization*. Under FASB ASC 958-205, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the fire company is required to present a statement of cash flows. As of December 31, 2011 and 2010, respectively, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the fire company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Contributions

The fire company adopted FASB ASC 605-10, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 605-10, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

Income Taxes:

Based on a ruling by the Internal Revenue Service, the fire company is not required to file a tax return.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of reporting of cash flows, the fire company considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Supplemental disclosures of cash flow information are as follows:

Cash paid during the year for

	<u>2011</u>	<u>2010</u>
Interest	\$ - -	\$ - -
Income Taxes	\$ - -	\$ - -

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost, or estimated historical cost if acquisition cost was not available. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Automobiles	5 - 10 years
Furniture and fixtures	7 - 15 years
Equipment	3 - 15 years
Buildings and improvements	7 - 50 years

The fire company's policy is to depreciate the buildings and equipment over their estimated useful lives using the straight-line method and to annually evaluate the remaining useful lives. It is at least reasonably possible that the fire company's estimate of the remaining useful lives will change in the near term.

Annual Leave

Each full-time employee earns annual leave as follows:

<u>Years of Continuous Service</u>	<u>Hours</u>
0 - 12 months	0
1 - 10 years	216
Over 10 years*	216+

\*Employees earn 12 hours of additional leave for each year over 10 years up to a maximum of 360 hours after 22 years. There is no limit to the amount of hours that employees can accumulate.

The liability for accrued annual leave was \$39,625 and \$47,505 as of December 31, 2011 and 2010, respectively.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments.

FASB ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, investments, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

2. CASH AND CASH EQUIVALENTS.

At December 31, 2011 and 2010, the fire company maintained cash balances in one local bank. The bank and book balances were as follows.

	<u>Book Balances</u>	<u>Bank Balances</u>
December 31, 2011	\$ 240,373	\$ 249,342
December 31, 2010	\$ 25,564	\$ 27,338

The checking accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2011 and 2010, the balances in these accounts were fully insured.

3. PROPERTY AND EQUIPMENT

Below is a summary of activity in the fire company's property and equipment accounts during the year ended December 31, 2011:

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>
Land	\$ 85,600	\$ -	\$ -	\$ 85,600
Buildings	363,589	1,924	-	365,513
Vehicles	439,481	-	-	439,481
Firefighting equipment	21,346	13,095	-	34,441
Furniture and fixtures	<u>7,929</u>	<u>-</u>	<u>-</u>	<u>7,929</u>
	917,945	15,019	-	932,964
Accumulated depreciation	<u>(779,507)</u>	<u>(11,954)</u>	<u>-</u>	<u>(791,461)</u>
Net property and equipment	<u>\$ 138,438</u>	<u>\$ 3,065</u>	<u>\$ -</u>	<u>\$ 141,503</u>

Depreciation expense totaled \$11,954 for the year ended December 31, 2011.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

3 PROPERTY AND EQUIPMENT. (Continued)

Below is a summary of activity in the fire company's property and equipment accounts during the year ended December 31, 2010:

	Balance <u>01/01/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/10</u>
Land	\$ 85,600	\$ -	\$ -	\$ 85,600
Buildings	372,391	5,248	(14,050)	363,589
Vehicles	439,481	-	-	439,481
Firefighting equipment	45,453	-	(24,107)	21,346
Furniture and fixtures	<u>30,523</u>	<u>1,258</u>	<u>(23,852)</u>	<u>7,929</u>
	973,448	6,506	(62,009)	917,945
Accumulated depreciation	<u>(814,901)</u>	<u>(12,466)</u>	<u>47,860</u>	<u>(779,507)</u>
Net property and equipment	<u>\$ 158,547</u>	<u>\$ (5,960)</u>	<u>\$ (14,149)</u>	<u>\$ 138,438</u>

Depreciation expense totaled \$12,466 for the year ended December 31, 2010

4 DONATED SERVICES.

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire company's program services.

5. FEMA PROCEEDS.

During the years ended December 31, 2011 and 2010, the fire company received FEMA proceeds for equipment, damages and overtime wages in the amount of \$0 and \$5,689, respectively.

6 FIRE PROTECTION CONTRACT

Substantially all of the fire company's support is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the fire company receives a percentage of certain ad valorem taxes assessed within the 7th Fire Protection District of Jefferson Parish, as well as additional funding from sales tax and fire insurance rebates. Total public support received under this contract totaled \$813,241 and \$569,127 for the years ended December 31, 2011 and 2010, respectively.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

7 RETIREMENT PLAN:

The fire company has a contributory retirement plan covering all paid employees. The fire company contributes up to 3% of participating employees' annual salaries. The retirement expense for the plan for the years ended December 31, 2011 and 2010 was \$11,772 and \$11,452, respectively.

8 EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L R S 33:2002. The amount of pay received does not vary based upon years of service and is based upon state law. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, the funds are not included in these financial statements.

9 ECONOMIC DEPENDENCY.

The fire company's income is derived primarily from the proceeds of an ad valorem tax, millage, and other funding under a contract with the Jefferson Parish Council to support its firefighting and rescue services. See Note 6. The fire company is not aware of any plans on the part of Jefferson Parish to terminate the contract.

10. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11 USE OF ASSETS OWNED BY JEFFERSON PARISH

Some assets used by the fire station are owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish.

12 DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through May 11, 2012, which is the date the financial statements were available to be issued.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

13. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These allocations are based upon management's estimate of usage applicable to conducting the programs and supporting services.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 11, 2012

To the Board of Directors  
Nine Mile Point Volunteer Fire Company No. 1  
Nine Mile Point, Louisiana

We have audited the financial statements of Nine Mile Point Volunteer Fire Company No. 1 (a Louisiana nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Nine Mile Point Volunteer Fire Company No. 1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nine Mile Point Volunteer Fire Company No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nine Mile Point Volunteer Fire Company No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the fire company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fire company's financial statements will not be prevented, or detected and corrected, on a timely basis.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 (504) 586-8866 Fax (504) 525-5888  
1670 Old Spanish Trail Slidell, LA 70458 (985) 649-9996 Fax (985) 649-9940  
247 Corporate Drive Houma, LA 70360 (985) 868-2630 Fax (985) 872-3833  
[www.djhmcpa.com](http://www.djhmcpa.com)



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, and therefore, there can be no assurances that all such deficiencies have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, 11-01 and 11-02, described in the accompanying schedule of current year findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nine Mile Point Volunteer Fire Company No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nine Mile Point Volunteer Fire Company No. 1's response to the findings identified in our audit is described in the accompanying schedule of current year findings. We did not audit Nine Mile Point Volunteer Fire Company No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, the Louisiana Legislative Auditor, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

**NINE MILE POINT VOLUNTEER FIRE COMPANY NO. 1  
SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

1. The opinion issued on the financial statements of Nine Mile Point Volunteer Fire Company No. 1 for the year ended December 31, 2011 was unqualified
2. Internal Control  
Material weaknesses: None  
Significant deficiencies: 11-01, 11-02
3. Compliance and Other Matters  
None

**INTERNAL CONTROL – SIGNIFICANT DEFICIENCY**

**11-01 Journal Entries**

**Condition and Criteria**

Journal entries were required for financial statement misstatements related to payroll, fixed asset accounts and to record receivables and payables. Generally accepted auditing standards consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control.

**Cause**

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The fire company has relied on its auditor to identify and correct such financial statement misstatements.

**Recommendation**

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies under SAS 115.

**Management's Response**

We will continue to provide additional training for our employee performing accounting duties. In addition, we will implement procedures that require knowledgeable personnel to reconcile the general ledger accounts to subsidiary schedules where applicable.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO. 1  
SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

11-02 Preparation of Financial Statements

Condition and Criteria

Internally, the Company does not have controls in place for proper oversight of its financial reporting and for preparation of financial statements and related footnotes. As is common in small organizations, the fire company has chosen to engage the auditor to prepare the fire company's annual financial statements and notes to the financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Statement of Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response

In response to the finding, management feels that it is a prudent use of public funds to engage the auditor to prepare the fire company's annual financial reports and related footnotes. We therefore agree with the auditor's recommendation that no corrective action is necessary.

NINE MILE POINT VOLUNTEER FIRE COMPANY NO 1  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF PRIOR YEAR FINDINGS

10-01 Journal Entries

In the prior year it was noted that journal entries were required for financial statement misstatements related to payroll, fixed asset accounts, and to record receivables and payables. This comment has been repeated in 2011 as 11-01.

10-02 Preparation of Financial Statements

In the prior year it was noted that the company does not have controls in place for proper oversight of its financial reporting and for preparation of financial statements. This comment has been repeated in 2011 as 11-02.